

FINANCIAL REGULATION WEEKLY BULLETIN

Major UK and European regulatory developments of interest to banks
insurers and reinsurers, asset managers and other market participants

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Newsletter. If you
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GENERAL //

1 EUROPEAN COMMISSION

- 1.1 Europe's independence moment - European Commission publishes 2026 work programme - 21 October 2025** - The European Commission (the Commission) has published a communication setting out its work programme for 2026, alongside annexes detailing new initiatives, an annual plan for evaluations and fitness checks, and pending proposals.

The programme believes that this must be “*Europe's independence moment*”, at a time when the international order is “*rapidly fraying*”. It reinforces the current core priorities of the Commission, aiming to strengthen competitiveness, lead in clean and digital innovation, strengthen the EU's unique social model and ensure collective security.

In terms of the financial services sector, the 2026 work programme will: (i) focus on unleashing the full potential of the Single Market by 2028, making conducting business and accessing finance in Europe easier for all companies; (ii) strengthen digital sovereignty with the Cloud and AI Development Act and the Quantum Act; (iii) increase momentum on private lead markets for clean materials and sustainable products; (iv) introduce a Digital Fairness Act to tackle outstanding unfair and deceptive consumer practices; and (v) build further on the EU's existing simplification drive.

[Work programme 2026 \(COM\(2025\) 870 final\)](#)

[Work programme annexes](#)

[Press release](#)

2 UK GOVERNMENT

- 2.1 AI Growth Lab - UK government publishes call for evidence - 21 October 2025** - The UK Government's Department for Science, Innovation and Technology (DSIT) have published a call for evidence on a pioneering cross-economy sandbox called the AI Growth Lab (the Lab). The Lab will support growth and responsible AI innovation by enabling testing of new AI products in a modified regulatory environment.

The Lab will operate in partnership with sectoral regulators where existing sandboxes are not in place. To deliver the necessary flexibility required for rapid testing and piloting of AI innovations, primary legislation could confer a power on ministers to create individual sandboxes focused on specific innovations via secondary legislation.

Views on the Lab are sought by 2 January 2026, including on which regulations should be ‘red lines’, those which can never be modified to maintain safety and preserve public trust. DSIT intend that these ‘red lines’ will include consumer protection and safety provisions, fundamental rights, workers' protections and intellectual property rights.

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3 HM TREASURY

- 3.1 Concierge service for global financial services firms - HM Treasury publishes press release - 17 October 2025** - HM Treasury has published a press release announcing the launch of a concierge service for global financial services firms. The service will help these firms pick locations, navigate regulation and understand Britain's business environment, removing barriers for UK investment. The service is delivered by the Office for Investment as a partnership between HM Treasury, the FCA, the PRA and the City of London Corporation.

[Press release](#)

- 3.2 Regulation Action Plan - HM Treasury publishes progress update - 21 October 2025** - HM Treasury has published a paper outlining its progress in delivering the 'Regulation Action Plan' it established in March 2025. The Action Plan seeks to enable a regulatory system that supports innovation and economic growth, while ensuring accountability for the quality of regulations introduced and the way in which independent regulators implement and enforce them.

As well as describing the key actions taken to date, the update details a number of future initiatives, including:

- the consolidation of the anti-money laundering (AML) and counter-terrorist financing (CTF) supervisory functions of 22 professional services supervisory bodies under the authority of the FCA, as detailed below in the Financial Crime section of this Bulletin; and
- the launch of a new "Regulator Dashboard" which will display performance against key performance indicators and authorisation processing times across a number of regulators, including the FCA.

[HM Treasury action plan: Progress update and next steps](#)[Webpage](#)

4 BANK OF ENGLAND, PRUDENTIAL REGULATION AUTHORITY AND FINANCIAL CONDUCT AUTHORITY

- 4.1 Cyber response and recovery capabilities - Bank of England, PRA and FCA publish effective practices - 20 October 2025** - The Bank of England, the PRA and the FCA (together, the Regulators) have published a paper highlighting effective practices that they have observed in systemic firms' and financial market infrastructures' operational resilience self-assessments. The Regulators state that these practices demonstrate how firms are strengthening their ability to respond to, and recover from, severe cyber disruptions.

While the practices and examples shared are primarily from large, complex firms, the Regulators note that the underlying principles are relevant to the wider population of regulated firms. Firms

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should consider where the practices noted in this paper may help them to strengthen their resilience and must continue to keep their boards apprised of their operational resilience work through regular updates to their self-assessments.

[FCA/PRA effective practices: Cyber response and recovery capabilities](#)

[Webpage](#)

5 FINANCIAL SERVICES SKILLS COMMISSION

- 5.1 AI and financial services - Financial Services Skills Commission publishes call for evidence - 23 October 2025** - The Financial Services Skills Commission (the Commission) has published a call for evidence, asking how AI and disruptive technology will change financial services and its workforce over the next five to ten years. This evidence will feed into broader research on this subject undertaken by the Commission, which was first announced by HM Treasury as part of the government's Financial Services Growth and Competitiveness Strategy.

The call for evidence will be open until 26 November 2025, and the Commission will host a series of regional roundtables to inform its research throughout the month of November.

[Call for evidence](#)

[Press release](#)

BANKING AND FINANCE //

6 EUROPEAN CENTRAL BANK

- 6.1 Embracing digital change in banks - ECB publishes speech - 16 October 2025** - The European Central Bank (ECB) has published a speech given by Pedro Machado, a member of the Supervisory Board of the ECB, on the importance of banks embracing digital change. The speech touches on emerging digital trends within banking, the opportunities and risks for banks, and the impact of digitalisation on banking supervision.

Risks highlighted by the ECB include heightened cybersecurity risk, increased reliance on third-party providers (particularly software developers and cloud service providers) and a fast-evolving regulatory landscape which demands significant resources and expertise.

[Speech](#)

7 SINGLE RESOLUTION BOARD

- 7.1 Operational guidance on banks' communication in resolution - SRB launches consultation - 17 October 2025** - The Single Resolution Board (SRB) has launched a consultation on operational guidance on communication for banks in resolution. The guidance builds on and clarifies the expectations on communication set out in the SRB's Expectations for Banks document, published in March 2020.

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The deadline for responses is 12 December 2025. Banks are expected to meet the full set of expectations by 30 June 2027, subject to transitional arrangements in certain cases.

[SRB consultation: Operational guidance on banks' communication](#)

[Press release](#)

8 EUROPEAN SYSTEMIC RISK BOARD

- 8.1 Cryptoassets and financial stability - ESRB publishes report and stablecoin recommendations - 20 October 2025** - The European Systemic Risk Board (ESRB) has published a report on the systemic risks posed by stablecoins, cryptoasset investment products and multi-function groups active in cryptoasset markets (groups carrying out various cryptoasset activities within the EU).

It raises concerns that the Markets in Crypto-assets Regulation (EU) 2023/1114 (MiCAR) does not explicitly regulate the joint issuance of the same stablecoin by EU and third-country entities. The ESRB believes that this structure heightens the EU's exposure to run risk. In other words, holders of tokens from third-country issuers, which are not bound by MiCAR-equivalent protections (including reserve requirements), may seek redemption in the EU if conditions are more favourable, potentially leaving EU holders vulnerable.

To address this concern, the ESRB has also published a series of recommendations aimed at tackling the financial stability risks inherent in third-country multi-issuer stablecoin schemes. The ESRB's starting point is that such structures should not be permissible under the current MiCAR framework, and that the European Commission should act on this by the end of 2025. Alternatively, the ESRB recommends that a dedicated framework should be established to address the risks posed by such a structure, complemented by supervisory cooperation agreements with third-countries. Most of these safeguards should be implemented by the end of 2026, with the remainder following by the end of 2027.

[ESRB report: Cryptoassets and decentralised finance](#)

[ESRB recommendation: Third-country multi-issuer stablecoin schemes](#)

[Press release](#)

9 HM TREASURY

- 9.1 Financial Services and Markets Act 2023 (Prudential Regulation of Credit Institutions) (Consequential Amendments) Regulations 2025 - 20 October 2025** - A draft version of the Financial Services and Markets Act 2023 (Prudential Regulation of Credit Institutions) (Consequential Amendments) Regulations 2025 (the Regulations) has been published, together with an explanatory memorandum.

The Regulations make consequential amendments following the revocation of certain provisions of the UK Capital Requirements Regulation (CRR) on 1 January 2026 by virtue of the Financial

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Services and Markets Act 2023 (Commencement No.10 and Saving Provisions) Regulations 2025 (Commencement Regulations).

Most of the revoked CRR provisions will be replaced by PRA rules. As a result, the amendments made by the Regulations are limited to instances where there is no corresponding PRA rule to replace the revoked provisions to ensure legislative clarity. The Regulations do not make policy changes.

The Regulations state that they will come into force on 1 January 2026.

[Statutory instrument](#)

[Explanatory memorandum](#)

10 BANK OF ENGLAND

10.1 Digital pound - Bank of England publishes update - 23 October 2025 - The Bank of England (the Bank) has published an update summarising its recent work on the digital pound, detailing the progress it has made on its three priorities over the past year. These are:

- advancing technical work on shared public infrastructure and hands-on experimentation through the Digital Pound Lab (launched in August 2025), to support private-sector innovation in money and payments;
- investigating how a digital pound and other types of digital money can interoperate with existing forms of money and payment systems, publishing a series of design notes that set out emerging policy and technical thinking; and
- gathering and integrating a range of stakeholder evidence to inform the design of any potential digital pound.

The Bank will now prioritise completion of the blueprint and assessment to inform a decision by the Bank and HM Treasury on the next steps in 2026. The Bank will also continue targeted experiments and engagement with stakeholders to better understand what works, what is viable, and what need to change.

[Bank of England digital pound update](#)

11 FINANCIAL CONDUCT AUTHORITY AND PAYMENT SYSTEMS REGULATOR

11.1 Integrating the PSR into the FCA - FCA and PSR respond to HM Treasury consultation - 23 October 2025 - The FCA and the Payment Systems Regulator (PSR) have published a joint response to HM Treasury's September 2025 consultation paper on consolidating the functions of the PSR within the FCA, as previously reported in this Bulletin.

The regulators agree with the overarching approach to the consolidation and believe that the proposed model will help facilitate a coherent and holistic view of regulatory issues that affect the payments ecosystem. An annex to the response sets out the regulators' responses to the

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specific questions posed by HM Treasury's consultation paper, and highlights areas that warrant continued attention going forward.

[Response](#)

12 FINANCIAL CONDUCT AUTHORITY

- 12.1 Motor finance consumer redress scheme consultation - FCA publishes update on data room - 20 October 2025** - The FCA has published an update to its consultation on a proposed compensation scheme for motor finance customers (CP25/27), announcing that a data room has been created so that respondents can understand its loss analysis. The data room will provide controlled access to some of the underlying data material for the annual percentage rate adjustment remedy and high commission.

[Updated webpage](#)

SECURITIES AND MARKETS //

13 EUROPEAN SECURITIES AND MARKETS AUTHORITY

- 13.1 Draft RTS establishing EU code of conduct for issuer-sponsored research - ESMA publishes final report - 22 October 2025** - The European Securities and Markets Authority (ESMA) has published a final report and draft regulatory technical standards (RTS) on the establishment of an EU code of conduct for issuer-sponsored research under the MiFID II Directive (2014/65/EU). Following concerns raised by respondents, ESMA has amended the draft RTS to clarify the information that issuer-sponsored research providers must make available to investment firms.
- The final draft RTS, set out in Annex III of the report, will now be submitted to the European Commission for adoption and will apply from 6 June 2026.

[ESMA final report: Draft RTS establishing EU code of conduct for issuer-sponsored research](#)

ASSET MANAGEMENT //

14 FINANCIAL CONDUCT AUTHORITY

- 14.1 Moving to T+1 securities settlement - FCA publishes Dear Compliance Officer letter - 23 October 2025** - The FCA has published a Dear Compliance Officer letter addressed to firms in its Asset Management and Alternative Firms portfolio, setting out its expectations ahead of the upcoming market transition from a T+2 to a T+1 securities settlement cycle on 11 October 2027.
- The letter calls for all firms to familiarise themselves with the recommendations in the Accelerated Settlement Task Force (AST) Final Report published in February 2025, and to put in place a project plan to move to a T+1 settlement by October 2027. Firms are further encouraged to carry out end-to-end reviews of their trading, clearing and settlement arrangements, and to

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contact their settlement agents to discuss the required changes to settle transactions within a T+1 settlement cycle.

By the end of 2026 firms will need to have implemented the identified changes, and the FCA expects all firms to test their amended settlement processes in 2027 to be ready to settle on a T+1 basis from 11 October 2027.

[FCA Dear Compliance Officer letter](#)

FINANCIAL CRIME //

15 HM TREASURY

- 15.1 Reform of AML/CTF supervision regime - HM Treasury publishes consultation response - 21 October 2025** - HM Treasury has published a response to its June 2023 consultation paper on the reform of the anti-money laundering (AML) and counter terrorist financing (CTF) supervision regime. As previously reported in this Bulletin, the consultation asked respondents to assess four possible models to replace the current AML/CTF supervisory system where the FCA, the Gambling Commission and HM Revenue & Customs act as statutory supervisors, alongside 22 professional body supervisors overseeing the legal and accountancy sectors.

The consultation received 95 responses, and respondents' preferred choice of models were largely dictated by sector. Following analysis, HM Treasury has decided to create a single professional services supervisor (SPSS). Under this model, the FCA will be granted responsibility for all AML/CTF supervision of the legal and accountancy sectors, and of trust and company service providers that are regulated under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692) (MLRs).

The FCA is developing a detailed plan for its new role, and HM Treasury will publish a separate consultation in November 2025 on the powers the FCA will need as an SPSS. The implementation of this policy is subject to the passage of enabling legislation, the confirmation of funding arrangements, and the development of a detailed transition and delivery plan. As such, the date at which the FCA will commence supervision of the professional services sector will be heavily dependent on the availability of parliamentary time.

[HM Treasury consultation response: AML/CTF reform](#)

[FCA statement: Government's decision on reforming AML/CTF supervision](#)

16 FINANCIAL CONDUCT AUTHORITY

- 16.1 Detecting and preventing romance fraud - FCA publishes findings of multi-firm review - 17 October 2025** - The FCA has published its findings from a multi-firm review of how firms detect and prevent romance fraud, where victims are deceived into believing they are in a genuine relationship and induced into sending money to criminals. There was a 9% increase in romance fraud reports in the financial year 2024/25, amounting to losses of over £106 million.

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The FCA reviewed six firms, assessing 60 confirmed cases of where a victim was defrauded. The review found that some firms are leading the way in supporting victims by providing meaningful tailored care, in some cases exceeding expectations. However, these examples were not consistent across the industry, with detection and monitoring, staff capabilities, and education and awareness flagged as areas for improvement. The FCA expects all firms to consider the findings, and assess whether their own systems, controls and customer engagement practices are sufficient to prevent and respond to romance fraud.

[FCA multi-firm review: Detecting and preventing romance fraud](#)**[Press release](#)**

- 16.2 Financial crime controls in corporate finance firms - FCA publishes survey findings - 20 October 2025** - The FCA has published findings from its survey on financial crime controls in corporate finance firms (CFFs), including areas for improvement and good practice. The FCA surveyed 303 CFFs which are not currently required to submit financial crime data to the FCA, of which 270 responded.

The results of the survey indicate that approximately two-thirds of responding firms may not be compliant with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 in one or more elements of their financial control frameworks. Key areas for improvement include a lack of business-wide risk assessment, missing evidence of customer due diligence and gaps in risk assessments for appointed representatives. The FCA also identified examples of good practice, such as firms regularly updating their business-wide assessments to reflect emerging risks.

The FCA expects all responding firms to consider these findings and address any gaps in their financial control frameworks.

[FCA survey: Financial crime controls in corporate finance firms](#)**[Press release](#)**

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This Bulletin is prepared by the Financial Regulation Group of Slaughter and May in London. The Group comprises a team of lawyers with expertise and experience across all sectors in which financial institutions operate.

We advise on regulatory issues affecting firms across the financial services sector, including banks, investment firms, insurers and reinsurers, brokers, asset managers and funds, non-bank lenders, payment service providers, e-money issuers, exchanges and clearing systems. We also advise non-regulated businesses involved in financial regulatory matters. In addition, our leading financial regulatory investigations practice is regularly instructed by financial institutions requiring specialist knowledge of financial services regulation together with experience in high profile and complex investigations and contentious regulatory matters.

Most of the projects that we advise on have an extensive international or cross-border element. We work in seamless integrated teams with leading independent law firms which offer many of the most highly regarded financial institutions lawyers in Europe, the US and Asia, as well as strong and constructive relationships with local regulators.

Our Financial Regulation Group also produces occasional briefing papers and other client publications. The five most recent issues of this Bulletin and our most recent briefing papers and client publications appear on the Slaughter and May website [here](#).

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